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The Seniors Benefit: Securing the Future



March 1996

Canada

“ One of the greatest advances we have ever made as a country is to provide a decent level of retirement support for our seniors. As a result of our pension system, seniors today enjoy a standard of living that is substantially higher than was the case for their parents. Our obligation today is to take the action necessary to safeguard that accomplishment for our children. ”

Budget Speech – March 6, 1996

“ The next step is to ensure that the support provided to seniors through the Old Age Security and Guaranteed Income Supplement program is sustainable and will be there for the future as well.

As we do that, we will honour another commitment – a commitment I undertook in this House, on behalf of this government. I made a promise to current seniors that I repeat today: the OAS and GIS payments that you receive will not be reduced. ”

Prime Minister's Speech
in the House of Commons
Reply to the Speech from the Throne
February 28, 1996


Summary

The Seniors Benefit

The Government of Canada is proposing a new Seniors Benefit to take effect in 2001 as part of its commitment to Canadians to ensure they have a secure and sustainable pension system now and in the future.

Current seniors have the right to continue in their retirement secure that change will not affect them, that they will always get at least what they get in pension payments now. That is guaranteed. In fact, many seniors will get more.

Near seniors have the right to enter their retirement years without worrying about having to adjust their current planning. That is guaranteed. Anyone 60 and over on December 31, 1995 will be treated the same as current seniors. So will their spouses, regardless of their age.



Other Canadians have the right to know that government pensions are secured for the future, that those pensions will be there. They have the right to know that those who need help will get it and that everyone will have adequate time to prepare for the future. The Seniors Benefit guarantees that as well.

The Seniors Benefit: What it is

- ◆ The Seniors Benefit will **replace the existing OAS/GIS benefits in 2001.**
- ◆ The new benefit will be **completely tax free** and will incorporate the existing age and pension income tax credits.
- ◆ Benefits will be delivered in a **single monthly payment.** Payments to couples will be made in separate and equal cheques to each spouse.

- ◆ GIS recipients will receive an **additional \$120 per year.**
- ◆ The Spouse's Allowance Program will remain in place and payments will be **increased by \$120 per year.**
- ◆ For couples, the amount of the payment will be determined on the basis of the **combined income of spouses**, as is now and has always been the case with the GIS.
- ◆ Both the benefit levels and the threshold at which benefits begin to be reduced will be **fully indexed to inflation.**
- ◆ Seniors will only have to **apply once** for the benefit when they turn 65. The level of benefits will be automatically recalculated each year, based on the previous year's tax return.

The Seniors Benefit: What it does

*The pensions of everyone
60 and over
will be protected*

Everyone 60 or over on December 31, 1995 and their spouses, no matter what age, will be guaranteed no less than current pension payments. Many will receive more under the new system. Seniors will have a choice between moving to the new system or maintaining their monthly OAS/GIS payments, as currently structured – whichever is more advantageous to them.

*The Seniors Benefit
will provide adequate
time to prepare*


The Seniors Benefit will begin five years from now in 2001. That will give everyone under the age of 60 today at least five years to prepare.

The Seniors Benefit will help those who need it most

It is designed to fully protect low- and modest-income Canadians. Almost all will receive slightly more. Those who receive GIS will get \$120 more per year. The vast majority of seniors will be as well or better off. Fully 75 per cent of single seniors and couples will receive the same or higher benefits. Nine out of 10 single senior women will be better off under the new system.

The Seniors Benefit will be separated from the tax system

The Seniors Benefit will be tax free. It will incorporate the OAS/GIS, age credit and pension income credit. The benefit will be paid monthly. Seniors will not have to report it on their income tax forms. The Seniors Benefit will not be subject to taxation or clawbacks. People will keep every penny they receive; there will be no more need to worry about what may be owed at tax time.



The Seniors Benefit will relieve seniors' worries about inflation


The new system – the benefit and threshold levels – will be fully indexed to inflation. Partial indexing of claw-back thresholds will no longer be an issue. This will be an important improvement for seniors who worry about eroding benefits.

The Seniors Benefit will treat couples equally

The monthly benefit will be divided equally between each spouse. Each will receive a separate cheque.

The Seniors Benefit will make the system fairer

For couples, the level of the benefit will be determined by the combined income of the spouses as the GIS has always been. This ensures fairness and equality in the treatment of all couples, regardless of how their income is split between spouses.



The incomes of low-income couples are currently combined to determine eligibility for additional help. It is equally appropriate to combine the incomes of higher-income couples to determine their level of government benefits.

How the Seniors Benefit will apply

Single seniors and couples with total incomes up to approximately \$40,000 will be protected, and many of them will receive higher benefits. Of those with incomes between \$40,000 and \$45,000, some will receive higher benefits and some lower benefits, depending on their exact tax situation under the current system. Those with incomes above \$45,000 will generally receive lower benefits, the more income they have from other sources.

The very highest income seniors who already have secure pensions and other income will receive no government assistance. For single seniors with income above \$52,000 and couples with incomes above \$78,000, benefits will be eliminated.

The Seniors Benefit will make the system more affordable and sustainable

The Seniors Benefit will help make the public pension system more affordable and sustainable in two important ways.

First, it will target help to those who need it most. Second, targeting will slow the rate of growth of public pensions, making them more affordable for future generations. This will ensure that the pension system is sustainable in the future, providing a secure system for those who need it. Also, it will leave sufficient resources for other programs and services that governments must provide.

The Seniors Benefit and the pension system

The Seniors Benefit will work along with the Canada Pension Plan and the Quebec Pension Plan to provide a strong, sustainable public pension system. All governments, federal and provincial, are working now to make sure the CPP/QPP is secured for the future, as well.

The public plans, in turn, will be supported by Canada's successful private pension system – employer plans (registered pension plans) and personal plans (registered retirement savings plans) – to form a system based on three strong pillars well into the future.

The government has to take account of and plan for the time when our seniors population more than doubles. The objective is to renew the entire system so it will be sustainable when the baby boom generation reaches retirement and well beyond.

Further Information

For further information about the Seniors Benefit or for copies of this summary, call 1-800-343-8282, TDD: 1-800-465-7735 between the hours of 8 a.m. and 10 p.m. eastern time Monday to Friday.

You can also obtain copies of this pamphlet and related materials from regional offices of Human Resources Development Canada (listed under Government of Canada in the blue pages of the local telephone book) or from:

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